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### The transition to a market economy

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**The transition to a market economy:  
implications for employment**

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R.A. Roe

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# **The Transition to a Market Economy: Implications for Employment**

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Key words: *Economic transformation, Eastern Europe, Employment*

## **1. Introduction**

Major changes are taking place in Eastern-European societies since the breakdown of the totalitarian communist regimes in 1989-1990. The former 'socialist' countries undergo drastic changes in political and economic, as well as in cultural and social respect. During the first year or so, attention has been concentrated on political events, i.e. the abolishment of the socialist state regime, the dissolution of the communist party, the establishment of a parliamentary democracy, and the process of legislation. But at present the focus is nearly exclusively on the economy, i.e. on the management of the economic crisis, and the process of economic restructuring.

The present attention given to the economy, of course, is a selective one. The process of political change has only started, and many steps will have to be taken in the building of structures and procedures that can replace those of the previous system. In addition, deep social and cultural changes are taking place, as new practices and social standards develop. The changes are very profound indeed; for the people involved little remains the same.

This workshop will focus at social changes that relate to employment. It will look at the way in which people behave with regard to employment, and how they interact with work organizations and social institutions. Some types of questions to be addressed are:

1. How do individuals prepare for employment? How do they orient to future jobs and occupations, how do they perceive and feel about work opportunities, how do they choose occupations? How does the changing social and institutional context affect their behavior?
2. How do individuals and work organizations interact in the processes of establishing, maintaining, and terminating employment relations? What is behind labor market processes' such as job search and application, personnel recruitment and selection, career development, demotion, outplacement, etc.
3. How are people affected by changes in employment relations over time? How do they act and react when faced with job changes and unemployment? How do they cope with unemployment and in what way do they succeed in terminating it.

I will set out with a discussion of some general features of the societal change process and raise hypotheses about how they may affect employment related phenomena. I will use the term employment in a broad sense of 'paid work'; it will refer to the relationship between a person (the employee) and an organization (the employer) in which work is done in exchange for some compensation, rather than to the classical relationship between workers and the owners of the production means. Given the scope of the workshop I will not confine myself to the labour relationship per se, i.e. to the bond between employee and employer, but include 'employment related phenomena', i.e. include all individual and organizational activities that are implied in establishing, maintaining or modifying, and terminating this relationship. I will argue that it makes sense to consider employment can be considered from three perspectives - i.e. that of the individual, the work organization and 'intermediary institutions', such as vocational schools, employment offices, or consultancies - that offer a complementary view of the subject area. It is my view that only by integrating these perspectives one obtains an adequate view of the employment phenomenon and the problems implied in it.

The central question to be addressed is what demands the changing employment conditions impose on individual workers, the management of organizations, and those



involved in intermediary institutions. After having examined these demands I will raise the question what type of contributions can be offered by psychology and sociology in understanding and satisfying these demands.

## **2. Societal changes**

When discussing the changes in Eastern Europe, it should be kept in mind that the countries involved, i.e. Poland, Czechoslovakia, Hungary, Romania, Bulgaria, and the former Yugoslavia, and Soviet Union display wide differences. Although in the past the political and economic systems of these countries have been very similar, there are significant differences in social and cultural respects, due to their origins and historical development (e.g. Ignatov, 1992). A cynical illustration of these differences can be found in the nationalistic trends and ethnic conflicts of the present time. Even in the economic realm the situation in the various countries is far from identical. There are clear differences in the economic situation, as well as in the policies chosen and the results achieved (Blanchard et al. 1991; Boeri & Keese, 1992). In this paper I will stress the commonalities between the countries with regard to the process of transition to the so-called 'market economy'. I will not try to grasp the transitions in their full complexity, but rather mention a few dimensions of transition that may help in constructing a framework for the study of employment.

(a) In the political sphere, first of all, there is a change from a monolithic system, dominated by the Communist Party, to a pluralist system. The 'Party State' has been dismantled and replaced by a parliamentary democracy in all countries. The Communist Party has been succeeded by a variety of new political parties, including a wide array of small parties expressing very narrow interests. Totalitarianism has waned away as the state has withdrawn from many sectors of the society. Meanwhile the process of legislation has started; constitutions have been revised, laws have been issued on the restitution of property, privatization, labour relations, social security, finance, trade, and the like. In this way a new framework is being constructed for an overall transformation of society.

(b) While the old system did have a private and a cooperative sector in the old system, the state sector has been strongly dominating. In all former socialist countries, except for Yugoslavia, it included more than 90% of all enterprises, as well as over 90% of all employment. The state had a strong influence on the activities of the firms, and appropriated most of the revenues. Since the beginning of the changes the state sector is in decline, while the private sector is growing. Growth rates depend on the mechanisms adopted for revising propriety relations. In countries like Hungary, Poland, where the changes started relatively early, as well as in Czechoslovakia, there is a significant participation of foreign investors, resulting in a fast development of joint ventures, and even larger private concerns. In countries such as Romania and Bulgaria, the big privatization is still being waited for, and the stress lies on the emergence of small private enterprises.

(c) As the abolishment of socialist control over the economy coincided with extremely unfavorable economic conditions, a severe economic crisis resulted. The collapse of the trade with the Soviet Union and other Comecon countries produced a formidable reduction of the 'demand'. At the same time energy prices went up substantially, as the Soviet Union introduced world prices for its energy exports. And the beginning structural reforms went accompanied by tight macro-economic policies (Boeri & Keese, 1992). All this has resulted in considerable drop of output. It has estimated that the level of production has fallen to a level as low as 50% of that of before 1989. The reduction of working hours, the cutback in personnel, the liquidation of firms, the dismantling of state organs (e.g. in public administration and security), and the transformation of state enterprises into private firms operating according to market principles, have lead to a fastly growing unemployment. In most countries unemployment was introduced during the last two of three years, and it has went up to levels over 10 of the active population. Simultaneously there has been an inflation of 30% or higher (in Bulgaria up to 85 %, Petkov, 1991), and a dramatic drop in purchasing power (down to 40%). In all countries of the former socialist bloc efforts are undertaken to formulate and implement policies to stop the economic crisis and to build new economic



structures. Key elements of these policies are financial stabilization, price liberalization, privatization and structural reform (Blanchard et al, 1991).

(d) In structural respect most Eastern European economies are still predominantly industrial. Employment in agriculture is relatively high, especially in Poland, Bulgaria and Hungary. Within industry there is a stress on heavy industry. It is expected that future years will show a considerable decline of both the industrial and the agricultural sector, as a result of privatization and exposure to international competition (Boeri & Keese, 1992). Employment in the service sector is supposed to grow. Meanwhile services are being regrouped, as many service-type activities that have been formerly provided in the context of large state enterprises, are now being provided by independent service firms. Restructuring of the economy will certainly involve the institutional infrastructure. E.g. capital markets and banks will be established, while traffic, communication, education, etc. will expand. At the same time there will be a geographical restructuring, spreading enterprises to over the countries.

(e) The system of industrial relations is in reform as well. With the 'Nomenclatura system' the traditional party organizations, trade unions and youth organizations disappeared. Trade unions are presently in the process of developing a new role, distinguishing themselves from political parties, and profiling themselves as independent organizations that defend the interests of the workers. Employers associations - completely absent during the previous system - are emerging (Oechslin, 1991), but they are still slow in assuming a powerful role in the economic process. Structures for bargaining and conflict resolution are slowly being build up (e.g. Hethy, 1991).

(f) A variety of other changes is related to the withdrawal of the state from the various segments of society, or 'deétatisation'. It is true for education, welfare, cultural life, communication, and many other domains. The changes in vocational training can be taken as an example. As the system was rigid and focused to the training of skills that are increasingly becoming obsolete, a complete overhaul of the training system was started. Due to financial reasons the enterprises are withdrawing from the system,



leaving schools with the task of developing new programmes. Efforts are now being undertaken to devise more flexible curriculae, that stress new vocational skills, as well as management, but also language training and participation in democratic institutions (Grootings, 1991).

(g) It would be too much to even briefly mention the many other changes that are taking place. I will only like to draw attention to changes with regard to culture. That a cultural reform is taking place, is evident. New concepts and values are being introduced that openly conflict with and in some cases replace earlier patterns of thinking. Oechslin (1991) points to the fact that cultural change is partly implied in the change of the economic system. Speaking about the 'market logic' he claims that the adoption of the market economy is principally a social matter. 'Max Weber in his time emphasized the affinity between the protestant ethic and the market economy. The finer points of this theory may be open to question, but it nonetheless contains a profound truth. I believe that the developments of a prosperous market economy goes hand in hand with certain human attitudes: substituting horizontal egalitarian relations for the existing vertical relations, learning to take an independent and responsible stand, learning to cope with competition, not with respect to products but in all areas including choice of career. This is a question of defining concepts and moral values.' (Oechslin, 1991; p.99).

I would finally like to stress that the transition of society implies many changes at the same time, and the outcomes that are being observed, are the result of a complex interplay of forces, of steps forward and backward. There are reforms as well as efforts to conserve existing structures and practices. E.g. privatization schemes are being carried out, but at the same time there are clear signs of resistance to change among the member of the former elites. E.g. managers of state enterprises may effectively oppose to privatization, or engage in pseudo-privatization (Oechslin, 1991). Petkov (1991) has pointed at the many conflicts and contradictions that are inherent in the process of change. Conflicts exist e.g. between companies in industrial complexes, between management and employees, between employers and unions, between the private sector

and the state, between different categories of workers and even pensioners, and of course between those who hold different political views. Examples of contradictions are available as well. E.g. the restructuring of the economy calls for a modest role of the state, while economic crisis calls for a firm state intervention (Hethy, 1991). Stabilization calls, among other things for the a reduction of the state deficit, and a cut of state subsidies. But in a situation where the state us still heavily involved in the economy, this would have direct negative impacts on employment, prices, etc. The need for social stabilization requires consultation of social partners, while the crisis situation makes such consultation virtually impossible.

### **3. Implications for employment**

Employment and related phenomena can be looked at from three different perspectives, i.e. those of the individual worker, the work organization and the intermediary institutions.

Taking a look form the individual perspective one can discern various career stages and intermediary transitions (e.g. Schein, 1978). Stages are basic training, preparation for employment, organizational entry, the successive fulfillment of various positions in organizations, retirement. Unemployment can be considered as a career stages as well, that can be located before entering the organization, during the work career, and at the end of it. During each stage the individual occupies a certain position and fulfills the work role corresponding to it. The transitions that can be identified in-between the various stages can be looked upon as position and role change. It is important to note that each stage and each phase of transition implies certain activities developed by the person.

In the perspective of the work organization the focus is on the activities of the organization that are related to personnel procurement. They include recruitment, selection, introduction, training and development, monitoring, placement and dismissal. These successive activities can be partially matched to the career stages and transitions mentioned before. The career of a single individual can be broken down in parts, some of which relate to the activities developed by their successive employers. The perspective



of the intermediary institutions - i.e. vocational schools, offices for occupational choices, labour offices, temporary employment offices, recruitment and selection consultancies, bureaus for executive search or outplacement, training institutes - offers a look at a wide variety of facilitating activities. They can be divided in activities aiming at the career development of the individual, activities directed at the support of the personnel management by organizations, and activities dealing with the relations between organizations and individuals.

There is a tradition of looking at employment from either one of these perspectives, but I would suggest to adopt a multiple perspective view, in order to achieve a better understanding of the problem area, and find a key to better solutions. E.g. the way in which employment offices do function is partly determined by the significance that individuals attributed to them in the context of their personal career. And their success depends simultaneously on the congruence of their activities to the personnel practices of individual firms. Studying the role that employment offices play in the overall employment process, therefore requires an examination of individuals and work organizations simultaneously. Similarly, one cannot fruitfully study unemployment and the ways out of it, unless one takes into account the roles of the individual, the work organizations and the intermediary offices at the same time.

When looking for the implications of the societal changes on employment and related processes I will not confine myself to a single perspective. Instead I will deal with matters that seem to be of relevance for employment as individuals and/or organizations and/or intermediary institutions. The specific meaning of the implications for each of them will be elaborated in the next section.

Some possible implications of the present changes for employment can be identified by drawing a comparison between the plan economy and the market economy. In making this comparison it should be kept in mind that the market economy is a type of economic system, that by its very nature, can have many different appearances. There are clear disparities between the economies of the United States, Japan, and Western



Europe. And the future market economies of Eastern Europe are likely to show some differences, both in comparison to the western economies and among one another. Apart from this economic systems develop over time. This is to say that there is not just one well-defined system to compare the former plan economies to, and hence no basis for drawing very strict conclusions about their implications. Additionally, one should realize that the differences between economic systems based on the principles of the plan economy and the market economy are not absolute. E.g. all western European economies have a state sector with bureaucratic organizations that display remarkable similarities with their counterparts in the plan economies in terms of functioning and type of employment. And even some big corporations, though owned by private capital, have sometimes show similar traits. This means that differences to be identified will not equally pertain to all segments of the economy.

(1) A first difference then concerns the type of employment offered. While in the plan economy the largest part of employment is offered by state enterprises and government organizations, employment in the market economy is predominantly located in private organizations. Connected to this is a difference in size. The plan economies typically had a predominance of large industrial complexes, a moderate number of medium size enterprises, and a very small number of small enterprises. The market economies, on the other hand, have a small number of large corporations, a moderate number of medium sized companies, and a large number of small enterprises. According to Torma (1992) the transition to the market economy implies a change from an inverted triangular structure to a triangular structure, is achieved by a rapid fragmentation of big companies and the founding of ten thousands of small businesses. The consequence of this will be a noticeable difference in terms of type of firm, as well as jobs and work settings, when compared to the old situation.

(2) In the plan economy there existed a system of centralized labour planning, that was implemented by bureaucratic institutions. The principles of labour policy were 'guaranteed labour' and 'full employment' (Dilova, 1991). Guaranteed labour has been equivalent to the obligation to work, and a minimal freedom with regard to type of work,

place of work, labour terms for the individual worker. Moreover it has meant that work was equally paid for regardless of its usefulness, efficiency, or quality. Full employment has in practice meant labour hoarding, or over-employment (Boeri & Keese, 1992). A redundant work force was maintained: people receiving salaries for occupying positions rather than for performing work (Dilova, 1991). The magnitude of hoarding is hard to assess. It has been estimated that for Bulgaria this phenomenon has amounted 30-40% of all persons employed (Ilieva, 1985). For Hungary a figure of 15-20% has been mentioned (Nagy, 1991). At the same time there has been labour scarcity, i.e. free labour resources have been insufficient to fill vacant jobs.

In the market economy the centralized system of labour planning is unknown. Enterprises determine their own needs for labour and try to adjust the size and composition of their work force to these needs. The ruling principle is that of efficiency, i.e. it is tried to perform the work with the smallest possible number of employees. The adjustment is done by 'hiring and firing' on the one hand and by internal replacement and training on the other hand. It is important to stress that in the market economy the size of the personnel depends on the business position of the firm, which is on its turn determined by market conditions. Individual organizations expand and shrink in terms of production volume as well as work force. The 'labour market' fulfills a crucial role as the place where additional workers can be found, and superfluous workers can be let out to.

As individual firms minimize their work force, there is no incidence of labour hoarding. But there is unemployment as an inherent characteristic of the system. Unemployment always exists - its magnitude just depends mainly on the performance of the economy as a whole. Labour statistics show that unemployment changes considerably over time. In the Netherlands it amounted to 17% in the mid eighties to 5% at the present time. For the European Community the range of unemployment was from 1 to 5 percent in 1964 to 6 to 20 percent in 1988 - Ireland and Spain scoring the highest (Employment in Europe, 1989). High unemployment is considered to be undesirable, both in social and economic respect. The market economy therefore needs programmes to limit unemployment, especially to prevent the development of long term unemployment. For Eastern Europe unemployment rates may rise to 15% or higher before going down again. The consequence to be expected is that individuals as well as organizations and



institutions will have greater freedom, but also be faced with more uncertainty and insecurity.

(3) Another aspect in which the plan economy and the market economy differ is the nature of the relationship between employees and employers. Let us first consider the plan economy. For ordinary workers employment has been relatively stable in terms of duration and labour terms. Mobility has been low and limited to a change of employer, rather than a change of job level, occupation, or geographical location. Due to low wages many workers - male and female - had to perform dual jobs in order to earn their family income. This means that for a majority of workers the career was a rather simple and linear one. As few choices had to be made, and most decisions were taken by the bureaucracy, there was little room for developing a career orientation and assuming responsibility for one's own work life. It has been suggested that this type of employment relationship has produced a typical motivational pattern, characterized by low involvement, obedience, and lack of initiative. Bures (1992) referring to Czechoslovakia states that in the previous system there was a lack of feedback to performance. While poor performance was punished, good performance was not valued. This would have produced low achievement motivation, low levels of aspiration, and a minimization of effort expenditure. Bures speaks of a low level of self-identity. He has hypothesized that the socialist system has produced dominant motivational patterns, called 'motivational stereotypes', that should be identified by psychological research. Frese (1992) in an empirical study on the former GDR noted a conservatism among workers, characterized by a rejection of 'control', i.e. taking responsibility for one's own working conditions. Workers from the GDR were much less inclined to 'take initiative' with regard to their work than workers from the FRG. Ignatov (1992) has called attention to another feature of motivation, i.e. 'egalitarianism'.

Although labour statistics do not differentiate between rank and file workers and members of the former 'Nomenclatura', one may assume that for the latter category the employment relationship has been quite dissimilar. Nominations within the Nomenclatura system did of course follow from decisions taken by Party structures, but individuals members - i.e. party officials, managers of enterprises, trade union leaders,



etc. - certainly had a chance to develop a career, or at least influence their career options by their own activity. The 'socialist motivation' pattern just described, does not seem to apply to them.

Employment relations in the market economy can be characterized by the words: dynamic and flexible. Most workers have a career that contains various positions with various employers. Mobility is relatively high, not only in job level, but also in terms of occupation and geographical location. Labour terms are rather flexible, wage differences reflect market conditions to some degree. The majority of workers has only one job, although there is a growing tendency to combine it with some form of self-employment. Work involvement is typically high, especially among the higher educated. The situation, of course, cannot be expected to be homogeneous for the whole of the work force. Differences between categories of workers, related to type of occupation and educational qualification are natural. The major difference concerns unskilled manual workers. Their position is less stable than that of other workers, their labour terms are poor, and they have little promotion chances. Apart from the aspect of stability their position looks similar to that of the ordinary workers in the former plan economies. They often have double jobs, and show a low work involvement. A conclusion may be that the transition to the market economy will bring the majority of workers in an employment condition that can be considered somewhat similar to that of the previous elite.

(4) The different types of employment discussed so far, are reflected in the employment processes. In the plan economy all employment processes were regulated by the state. Work socialization and vocational training were provided by a centralized system of state schools and government agencies (Hethy, 1991). Bureaucratic systems of labour force planning existed that produced detailed and rigid prescriptions and rules, fixed quotas for various personnel categories. Wages and labour terms were fixed as well. The system left little room for individual choice with regard to the occupations, jobs, and places of work. Work as specified by the state bureaucracy was considered to be obligatory. Phenomena such as applying for a job, or at the other side, recruiting employees were virtually absent. As said before, unemployment did not exist. Workers

lived in the perspective of a stable life-long career, which even extended into the state of pensionary.

Employment processes in the market economy look very different. There many choices to be made that call for a continuous planning and decision making efforts by individuals and organizations. These choices relate to the entry in organizations, job changes in the same company, turnover from one company to the other, all kinds of training both inside and outside the company, and to the termination of employment by lay-off or pensioning. With regard to preparation for employment, there is occupational orientation and choice, related to vocational training and higher general education. Individuals are engaged in applying for jobs, following training courses, preparing for job changes. Organizations spend considerable effort on recruitment and selection, as well as on training and development, and placement and promotion. With regard to the termination of employment they engage in lay-off programmes, outplacement, (early) retirement, etc. An important role is played by intermediary institutions. They take care of labour mediation, and all kinds of vocational training programmes, they support processes of occupational choice, recruitment, selection, outplacement, etc. And they are also involved in the execution of unemployment schemes. We may conclude that all parties involved will be confronted with much dynamics, and much greater need for decision making and social management than before.

On the basis of the comparison made between the plan economy and the market economy one might infer that the transition - provided that it would proceed orderly, and not be affected by economic crisis or political conflicts - bring along a series of changes with regard to employment. These changes to expected include:

- a growing incidence of entry related processes, i.e. occupational choice, job search and application by individuals, as well as recruitment and selection by firms, and vocational guidance and labour mediation by employment offices;
- an higher frequency of career transitions, within as well as across organizations, and processes such as career planning and change of



- position by individuals, and promotion and replacement of personnel, etc. by companies, possibly to be supported by consultancies;
- more need for training both in vocational skills as in social and managerial skills;
  - an increasing stress on exit related problems at the side of individuals and organizations, related to dismissal and entry into unemployment, and to (early) retirement;
  - a more frequent occurrence of unemployment, along with problems of adaptation and coping among individuals, and a greater need for counseling, and therapy, as well as measures aiming at retraining, preservation of skills, and job creation.

The foregoing gives only a first approximation of the employment implications that the transition to a market economy could have. In reality the situation will be much more complex and invoke many more difficulties. The poor state of the Eastern European economies, as well as the other problems resulting from the changes in society make that the transition can by no means proceed orderly. During the process of transition to another economic system, which itself calls for attention, severe economic problems to be solved. As has been said, emergency measures are called for, which in conjunction with the processes of privatization and economic restructuring produce bizarre situations. The extreme discrepancy between the demand for and the supply of labour can be mentioned as an example (Hethy, 1991). At the present time rates of 1 job for 40 people are not exceptional. Economic analysis of the development of unemployment up to this moment warrant the expectation that unemployment is still to grow drastically during the coming years (Boeri & Keese, 1992). On the whole this places an additional stress on problems related to leaving and re-entering organizations.

#### 4. Demands

The employment implications indicated above impose a number of demands on individuals, as well as on companies and intermediary institutions. It seems to me that they will have to adapt to the emerging situation by two types of learning process. They must learn to accept that conditions will be different, and they must learn to cope with them, i.e. to learn *that* and to learn *how*.

The first type of demand is by no means trivial. It will take an explicit effort of individual citizens, and cause considerable discomfort to learn that one has to orient to one's career options, and prepare for it, that one has to apply for a job, that one has change traditional roles and be re-trained. And also that contracts are no longer dependable, and that one runs the risk of unemployment or early retirement. People will have to anticipate to unemployment and even learn to accept it. All this cannot be achieved without revising social norms and values (e.g. with regard to security, politics, work), as well as deep seated attitudes and expectations. The most crucial point seems the development of a sense of responsibility and attitude of self-determination, i.e. the inclination to take initiative and participate in various domains.

Similarly the management of organizations will have to learn that employees are no longer provided for by the system, and will no longer accept whatever terms are offered. They must learn that employees have to be recruited, selected, and properly trained and developed. In other words that 'Human Resources Management' is a necessity that cannot be avoided. They also must accept that they are responsible for laying-off people, for arranging the terms of retirement, etc., and that they will have no negotiate will labour unions about this. At the same time top managers should learn that they are not the final carrier of authority. Oechslin (1991), in this context, refers to the 'responsibility of the head of the enterprise not only towards his partners, his clients, his employees, but also towards the capital entrusted to him, even if that capital is his own.' Drastic role changes are also pending on the former labour institutions, like vocational schools and employment offices, as they will have to provide training for



skills that were considered irrelevant before, and supporting employment that under the old system were superfluous. For those managers and professionals involved, especially for those who held high positions in the former state bureaucracy, this will require a formidable change of attitude.

Learning to cope with the new conditions is a immensely complex objective. First, knowledge will have to be obtained about the various facets of the market economy, e.g. principles of trade, stock, banking, pricing, etc. People throughout the society, individual workers as well as managers and professionals, will have to learn the terminology and ideology of entrepreneurship and trade. In addition there is a wide variety of skills - technical, social and managerial - to be learned. Individual workers should learn how to orient to occupations, how to look for a job, how to apply, how to get promoted, how to change roles at the work place, how to participate in decision making, how to deal with conflicts, how to prevent being fired, how to deal with unemployment. Organizations will have to design and implement systems for personnel management, that cover all necessary functions, like personnel planning, recruitment, selection, training, career development, placement, pensioning, and lay-off, as well as systems for appraisal, remuneration, work time regimes, etc. Priority will to be given to the most urgent needs, such as retraining managers, the lay-off of personnel, and the training for selected skills. Intermediary institutions will have to learn how to provide the various services needed by individuals and firms, including training, mediation, and consultation.

It would seem that companies and institutions can profit from the experience that have been accumulated by similar organizations in other countries, both in Western and Eastern Europe. Western companies and institutions dispose of a wide variety of personnel management systems that have been tested and developed over the years. The same is true with regard to training programmes and unemployment schemes. Yet, it would be naive though to assume that e.g. a system for selection, or a unemployment scheme that works well in the West would be successful in any Eastern country. Cultural factors, such as the persistence of egalitarian attitudes or socialist values, may

prevent the acceptance of such systems. And the actual conditions in the firms and at the labour market may limit their effectiveness. In my opinion, the stress, therefore, should lie on the principles of development, and on local experiments with alternative methods, rather than on copying specific tools. Methods and techniques coming from other countries in Eastern Europe might be transferred with more success. But again, it may not be assumed that what works well in one country, will work in another country, that differs in the stage of the reform or in value orientations.

It should be underlined that coping with the changing labour conditions is not merely a matter of skill training and systems development. The demands put on people and organizations are much broader and much more difficult to respond to. Many problems are created by the lack of money, the uncertainties, and the role changes required by the societal transition. People have to deal with poverty, shortage of goods, and lack of information. A major problem for many people resides in the uncertainty about the future. To many people the direction of change, and even the state they are in, is unclear. Old institutions have been resolved while new ones are lacking, the slow process of legislation produces legal voids, in many realms there is a vacuum of authority, as top positions are unclear or vacant, the continuity of firms is uncertain. All this fosters indecisiveness, inactivity and dependence. Uncertainty may be especially hard to deal with, as the prospect of certainty offered by the previous system may have created an opposite set of expectations and attitudes.

The reorganization of society calls for a change of roles for all involved. As authoritarian management is being replaced by a western type of business management. This implies that members of the former ruling elite, sometimes after having been ousted, will have to acquire new positions. From these positions they have to learn how to achieve cooperation on a voluntary basis rather than by command. As there is a lack of qualified people for new managerial positions, the former managers - even those who have been criticized for failures in the past - have to be called upon again. But they are facing completely new requirements. Workers who have been trained for passivity and obedience, now have to speak up, participate, and even take initiative. Relationships



between former the former political and managerial elite and ordinary workers has to be revised. A mutual learning process has to take place in which trust has to take the place of suspicion.

Generally speaking, there is a necessity for people to redefine their position vis a vis the social environment, i.e. to revise their attitudes with regard to employment, work, family, friends, authorities, property, income, etc. The view of one's life, including the future will also have to change. Altogether people will have to develop a new sense of self-identity.

## **5. The role of psychology and sociology**

In this final section I would like to discuss the role that the social sciences, in particular psychology and sociology, can play with regard to the study and optimization of employment problems. I would like to start by noting that this role should not be overstated. Working people, managers, and employment professionals will adapt to the changing conditions anyhow, and solve the major problems on their own. And social scientist are certainly not the architects of a new society. On the other hand, it is my conviction, that psychologists and sociologists, by offering their expertise, can make the process of adaptation much less painful, costly and time-consuming. Which then are the contributions that can be made?

Social science, first of all, may help to clarify the situation that people are faced with by analyzing the living and employment conditions to which individuals are exposed, and by revealing their behaviors and underlying motives, attitudes, and feelings. Descriptive studies that mirror the psychological and social reality may be crucial in understanding the problems that people experience and in identifying options for improvement. This function is especially important since the psychological and social problems connected to the current changes - such as fears, depression, stress reactions, unadapted behaviors - tend to be overlooked by politicians and economists. Clarification should not be limited to individuals and their behaviors. It is as important

to study the conditions faced by enterprises - the declining as well as the emerging ones - and by the different intermediary institutions. Research may reveal how these organizations actually function, and to what degree the expectations and assumptions of politicians are met by reality.

Research may also be helpful in clarifying and specifying the demands that individuals face as this will help to develop focused plans for instruction, training, or counseling. Similar studies on the demand imposed on enterprise and institutions may be useful in setting up focused programmes for organizational changes, and human resources management, as well as schemes for vocational training, labour mediation, etc.

Social scientists may also take part in intervention efforts as consultants or trainers. In these roles they may help to carry out organizational change programmes. An additional role for psychologists is to provide counseling and therapy to individuals who suffer from personal crisis or problems of adaptation. Social scientists may also play a more indirect role by contributing to the development of employment schemes and systems for personnel management. After all they have access to an impressive knowledge base and a large collection of techniques and instruments. With regard to the curtailment of unemployment there is considerable knowledge about such schemes as: subsidies for retraining, public work, job pools, temporary jobs, job clubs, wage suppletion, start-up loans, etc. In the area of personnel management many techniques are available for personnel planning, job analysis and classification, recruitment and selection, training and development, personnel appraisal, promotion and placement, etc.

As I have said before, the generalizability of theoretical models and intervention techniques cannot be taken for granted. Theories that hold for one country, or even of for one period, may not be valid in another country or at a later time. Methods that are effective one place, may not work out at other places. Nevertheless, as shown by many contributions to the present workshop, there is a sound basis - both out and methodological - from which meaningful contributions can be derived.



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